

A background image showing a group of business professionals in a meeting. A man in a white shirt and glasses is pointing at a tablet held by a woman. Another man in a white shirt is visible on the left. The scene is brightly lit, possibly by a window in the background.

# Q2

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**INTERIM REPORT**  
JANUARY - JUNE 2020

Please note that this English translation is for information purposes only. In case of any discrepancies between this version and the Swedish version of the interim report, the Swedish version shall prevail.

## INTERIM REPORT JANUARY 1 - JUNE 30, 2020

### A challenging period

*The pandemic had a significant negative impact on sales and earnings during the second quarter of the year. Excluding costs for the action program carried out, EBITDA during the second quarter amounted to approximately SEK 36 million (38).*

*The spring also impacted HANZA's opportunities in the long term – though in a positive direction. Product manufacturing through geographically scattered contract manufacturers has clear negative cost and environmental aspects. Covid-19 has also exposed the vulnerability in global supplier networks, which has led many product-owning companies to reconsider their manufacturing strategies. This creates new business opportunities for HANZA through our unique offer which includes changing and streamlining supply chains. During the spring, the amount of customer dialogues increased significantly.*

*Erik Stenfors, CEO, HANZA Group*

### SECOND QUARTER (April 1 - June 30, 2020)

- Net sales amounted to SEK 559.0 million (506.6).
- Operating profit before amortization of intangible fixed assets (EBITA) amounted to SEK -12.6 million (19.3). Excluding the action program, EBITA amounts to SEK 14.9 million. EBIT amounted to SEK -16.1 million (17.1).
- Profit after tax amounted to SEK -19.6 million (8.1), which corresponds to SEK -0.58 per share (0.26).
- Cash flow from operating activities amounted to SEK 26.7 million (47.4).

### FIRST SIX MONTHS (January 1 - June 30, 2020)

- Net sales amounted to SEK 1,158.1 million (1,004.3).
- Operating profit before amortization of intangible fixed assets (EBITA) amounted to SEK 7.8 million (38.8). Excluding the action program, EBITA amounts to SEK 35.3 million. EBIT amounted to SEK 0.7 million (34.4).
- Profit after tax amounted to SEK -13.2 million (17.2), which corresponds to SEK -0.39 per share (0.56).
- Cash flow from operating activities amounted to SEK 94.3 M (84.0).

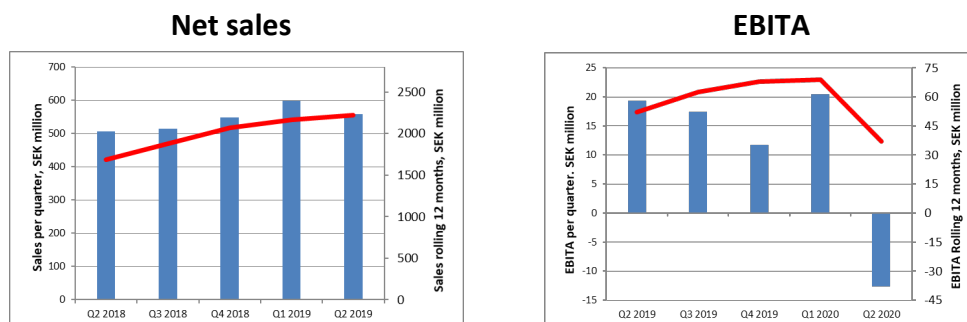
## MATERIAL EVENTS DURING THE SECOND QUARTER

- In April, to face uncertain demand in some customer segments as a result of the pandemic, HANZA initiated an action program, in which, among other things, notice of termination was given to all personnel in the electronics factory in Åtvidaberg, as HANZA moves and merges the unit with the electronics factory in Årjäng. Additionally, notice of termination was given to 60 staff in Estonia, where a similar merger of technologies has been carried out within mechanics production. Personnel reductions have also been implemented in Germany, in response to the decline in volume. Costs for terminations and adjustments of asset values amount to SEK 27.5 million and affects the second quarter of 2020.
- On April 1, 2020, HANZA's manufacturing cluster Central Europe was divided into two units:
  - The factory in Germany will be the starting point for a separate manufacturing cluster aimed at customers in the so-called DACH area (Germany, Austria and Switzerland).
  - Thereafter, HANZA's cluster Central Europe consists of the factories in Poland and the Czech Republic, with production for both the Nordic region and DACH.

Alongside this, a decentralization of the Group's sales, sourcing, IT and HR functions was carried out in order to create a market-adapted organization for the Group's new, broadened geographical customer area. The decentralization led to a reduction in the company's group management.

- On April 27, the Annual General Meeting resolved, among other things:
  - Re-election of the Board, in accordance with the Nomination Committee's proposal with Francesco Franzé as Chairman and Gerald Engström as Deputy Chairman.
  - That no dividend shall be paid for the financial year 2019, in accordance with the Board's revised proposal submitted after the outbreak of covid-19 (initial proposal SEK 0.25).
  - To authorize the Board to, on one or more occasions during the period until the next Annual General Meeting, make a decision to increase the company's share capital through the issue of shares, warrants and/or convertibles by a maximum of SEK 330,000, which corresponds to approximately 9.7% of current share capital
  - To introduce a long-term incentive scheme (Incentive Program 2020/2023) for senior executives in the company for market value consideration. Each warrant entitles the holder to subscribe for one share in the company at a subscription price of SEK 20 from June 1, 2023 to September 30, 2023.
- In May, Incentive Program 2020/2023 was offered to Erik Stenfors, CEO, Lars Åkerblom, CFO and Andreas Nordin, COO. Together, they have acquired all the offered warrants, which means that 850,000 warrants have been acquired for a sum of SEK 365,500.

- In June, and in dialogue with HANZA, the management of the electronics factory in Åtvidaberg formed a new company, which signed an agreement with HANZA to acquire certain parts of the assets and employ parts of the staff. Furthermore, some customers were offered continued production in the new company in Åtvidaberg.



The graphs illustrate net sales and operating profit per quarter (bars), and on a rolling 12-month basis (lines) up to and including the quarter reported.

## CEO COMMENT

It has been a challenging period. During the quarter, HANZA's operating profit amounted to approx. SEK 15 million before costs for action program - a result that was significantly lowered by covid-19.

During the quarter, we saw unique and fast volume declines in several important parts of HANZA's customer base. For instance, a rapid slowdown in machines for the textile industry, due to reduced demand following store closures. Since the acquisition of German Ritter, this is one of HANZA's largest customer segments. Furthermore, the pandemic has had a major impact on customers in the mining industry, which also constitutes an important customer segment. Traditionally, the mining industry balances its cyclical demand by also providing aftermarket services, but due to lock-down the market for both products and services disappeared simultaneously. Another important customer area for HANZA, material handling machines, was negatively affected by a global investment freeze introduced by many end customers. The customer segments of equipment for the food industry and shop fittings were also drastically affected, as demand was practically non-existent during the second quarter.

Other customer segments have, however, grown during the period. We experienced record sales in medical technology, and we have also noted a good development in defense and certain industrial segments. During the spring, we maintained a close and good dialogue with our customers and have supported them in the best possible way, both in volume losses and in volume increases.

### **Activity program and organizational development**

Already during the first quarter of this year, it was clear that the pandemic would have a significant negative impact, and early on we introduced countermeasures, such as lowered investment rate and cash flow activities, including the withdrawal of share dividends. Furthermore, rules and routines were introduced to reduce the risk of the spread of infection in our factories and we have had no confirmed cases of covid-19 among our employees.

We then started the second quarter with a larger action program in Sweden and Estonia aimed at reducing our fixed costs, without limiting our offering with complete manufacturing. At the end of the period, the program was concluded with measures in Germany, involving reorganization and staff reductions. In total, the action program has charged the result during the second quarter with SEK 27.5 million. The program is expected to improve EBIT in Cluster Sweden, the Baltics and Germany from the fourth quarter, 2020.

Cash flow and financial stability are permanent priority areas for HANZA, and we are thus pleased to note that also during the second quarter, we created a positive cash flow and a reduced operating net debt. We have a very good cooperation with our banks and have been granted new conditions, so-called covenants, which are adapted to the decline due to covid-19.

In addition to the work spent on dealing with the Corona outbreak, we finalized a decentralization of the organization during the quarter, which was one of the business goals for 2020. The purpose was to further adapt our organization to the market so that it can act in our new geographical customer area, which now includes the so-called DACH countries. This development has also meant that we can act more quickly in the Group during the pandemic. We have also strengthened HANZA through important manager recruitments during the period in several parts of HANZA.

### **The future - short and long term**

HANZA's development during the second quarter - as for other companies - was determined by the customer base at the outbreak of the pandemic. Different industries were hit differently, and some product-owning companies even experienced an upturn in sales. Looking forward, in the short-term, the future of HANZA and other companies, is impacted by the effect of implemented measures and how the pandemic develops.

But if we look at the future in a slightly longer perspective, there is an interesting effect of covid-19. It is clear that a new industrial landscape is now emerging, a transformation that had already begun, but which has been accelerated due to the pandemic. In addition to high costs and big environmental impact, the vulnerability of global supply chains has now been revealed. This means that production that has traditionally been distributed to different types of contract manufacturers globally will now be restructured, which is in line with HANZA's offer of regional and complete production.

At HANZA we already notice the transformation, through a rapid increase in customer dialogues. During the quarter, we completed important customer activities, despite the challenges of travel restrictions. In June, we presented a MIG™ analysis (our manufacturing consulting service) in Finland, where the customer received a proposal for a more efficient supply chain that gives the customer a double-digit percentage reduction in manufacturing costs.

Furthermore, we won an exciting assignment to develop a complete DNA-analyzer for a leading company in molecular diagnostics. This confirms HANZA's unique position in the market, which includes consulting services, product development and complete regional manufacturing. Based on a specification, we will develop the product from a manufacturing perspective, which includes the design of mechanics, electronics, cabling and software. The product development, which takes place in Germany, is due to be completed during the first quarter of 2021, and subsequently put into volume production.

During the quarter, we also signed a production agreement with a brand-new customer in logistics management, as well as conducted a negotiation with an existing industrial customer regarding a new major project. This meant that, despite the current caution surrounding investments, we decided on a machine investment of approximately SEK 20 million.

### In summary

Even though the situation today is not as bad as we initially feared, we still see a challenging period ahead. The development of covid-19 is unpredictable, and several of our customers are expected to have continued low demand. There is a risk of a second wave of the virus which would bring new volume declines, and we stand prepared with further measures in place.

But it is important to remember that the ups and downs in sales that we are experiencing today are temporary and linked to the pandemic. HANZA's customers are established companies with strong balance sheets that can handle this period in a good way, until demand is back to normal. Additionally, there will be new opportunities due to the need for transformed supply chains. Thus, in the long term we see great potential for profitable growth.

SEK million	Apr - Jun 2020	Apr - Jun 2019	Jan - Jun 2020	Jan - Jun 2019	Jan - Dec 2019
<b>Key ratios according to IFRS</b>					
Net sales	559.0	506.6	1,158.1	1,004.3	2,067,7
Operating profit (EBIT)	-16.1	17.1	0.7	34.4	56,8
Amortisation of intangible assets	-3.5	-2.2	-7.1	-4.4	-11,1
Cash flow from operating activities	26.7	47.4	94.3	84.0	122,0
<b>Alternative performance measurements</b>					
Operational segments EBITA	-12.9	20.9	8.3	45.9	83,6
Business development segment EBITA	0.3	-1.6	-0.5	-7.1	-15,7
EBITA	-12.6	19.3	7.8	38.8	67,9
Operating margin (EBITA)	-2.3%	3.8%	0.7%	3.9%	3,3%
Net interest-bearing debt *)	488.7	331.3	488.7	331.3	543,3
Operational net debt	306.8	261.5	306.8	261.5	350,2
Equity ratio *)	31.6%	35.7%	31.6%	35.7%	32,6%

The alternative performance measurements above are considered relevant to give a picture of HANZA's operational profitability, the extent of external financing and the company's financial risk. Reconciliation tables for alternative performance measurements are published on the company's web page.

## MARKET DEVELOPMENT

HANZA's customer markets are mainly the Nordics and Germany, but customers are also found in the rest of Europe, Asia and the USA. Because HANZA's customers have a wide industry spread, the business cycle is normally reflected in HANZA's sales. However, HANZA has a special opportunity to gain new market shares during a recession, as product companies may experience a sudden need to streamline their supply chain.

The National Institute of Economic Research (KI) estimated in June that the economy will shrink by approx. 10% during the second quarter, which roughly corresponds to the decrease in volumes in HANZA's customer base in the spring of 2020. Furthermore, KI's assessment shows a rapid recovery, but that current demand is still much weaker than normal. A similar development is reported from Germany.

HANZA does not provide sales or earnings forecasts, but generally estimates that the economy and demand will stay weak for the remainder of 2020. At the same time, HANZA sees new opportunities for market share, as the pandemic reinforces the trend of back-sourcing from China (i.e. production in China for Europe, returning to Europe). We see that this trend, which has previously been driven by tariffs, transport costs, delivery times, environmental aspects and more, will be strengthened.

The Group's growth target continues to be an average sales increase of at least 10% per year over a business cycle, which is measured as the net change, that is, the sum of additional volumes from new customers, company acquisitions, discontinued volumes and currency fluctuations.

## SALES AND PROFIT

### Second quarter

Net sales amounted to SEK 559.0 million (506.6). The Main market segment (Sweden, Finland, Germany) shows net sales of SEK 305.8 million (268.1), an increase of 14%. The Other market segment (The Baltics, Central Europe and China) shows net sales of SEK 252.9 million (238.5), an increase of slightly over 6%. During the quarter, sales have been impacted by the effects of covid-19, where volumes for some customer segments have significantly decreased. The decline in existing customer base amounts to approx. 10%. Net increase in sales are explained by the acquisition of RITTER. Exchange rates have positively impacted sales by approx. SEK 5 million.

EBITDA for the quarter amounted to SEK 19.1 million (38.0), which corresponds to an EBITDA margin of 3.4% (7.5). Depreciations, amortizations and write-downs during the period amounted to SEK 35.2 million (20.9), consisting of depreciations according to plan of MSEK 21.2 million (18.7), amortization of intangible assets of SEK 3.5 million (2.2) and write-downs of tangible fixed assets as a part of the action programme of SEK 10.5 million.

The Group's operating profit before amortizations of intangible fixed assets (EBITA) amounted to SEK -12.6 million (19.3), which corresponds to an operating margin of -2.3% (3.8). The operating margin is marginally impacted by currency fluctuations. The EBITA margin in the Main market segment amounts to 0.1% (7.1) and in the Other markets segment to -5.2% (0.8). The margin in both segments are negatively affected by covid-19, and of the action programme, where costs for terminations and adaptations amount to SEK 27.5 million. Excluding the action programme EBITA amounts to SEK 14.9 million for the Group, of which SEK 9.7 for Main markets and SEK 4.9 million for Other markets.

In the Business Development segment, we report costs for special Group development projects not linked to HANZA's operations, such as acquisitions, divestments, listing expenses, development of service products etc. In the fourth quarter, EBITA for the Business Development segment amounted to SEK 0.3 million (-1.6).

EBIT for the Group amounted to SEK -16.1 million (17.1). Excluding the action programme EBIT amounts to SEK 11.4 million. The gross margin amounted to 42.5% (44.7). Other external costs amounted to SEK 65.9 million (60.4) and personnel costs amounted to SEK 155.0 million (128.3). The change in gross margin is explained by the action programme and by the acquired companies.

Net financial income amounted to SEK -4.2 million (-5.3). Of this, net interest amounts to SEK -4.4 million (-3.9). The slightly increased interest costs are attributable to the increased net debt following the acquisition of RITTER and lower interest rates on the loans. Currency rate gains and losses net amounted to SEK 1.6 million (0.0). Other financial costs amounted to SEK -1.4 million (-1.4).

Profit before tax amounted to SEK -20.3 million (11.8). Profit after tax amounted to SEK -19.6 million (8.1). Profit per share before and after dilution amounts to SEK -0.58 (0.26) for the quarter.

### **First half year**

Net sales amounted in the first half year to SEK 1,158.1 million (1,004.3). The Main market segment increased to SEK 643.6 million (517.3) The Other market segment increased to SEK 514.2 million (486.9). Sales have increased through the acquisitions of Toolfac and RITTER as well as through new customers and contracts, and decreased due to phased out customers and significantly reduced volumes during the pandemic, see "Market Development" above. The currency effect is positive and amounts to approx. SEK 10 million.

EBITDA amounted to SEK 60.6 million (76.9), which corresponds to an EBITDA margin of 5.2% (7.7). Depreciations, amortizations and write-downs during the period amounted to SEK 59.9 million (42.5), of which, amortization of intangible assets of SEK 7.1 million (4.4) and the above-mentioned write-downs of tangible fixed assets of SEK 10.5 million. The gross margin amounted to 44.5% (45.0).

The Group's EBITA amounted in the first half year to SEK 7.8 million (38.8), which corresponds to an operating margin of 0.7% (3.9). The Main market segment reports EBITA of SEK 19.2 million (35.7), which corresponds to an operating margin of 3.0% (6.9). The Other market segment shows EBITA of SEK -10.9 million (10.2), which corresponds to an operating margin of -2.1% (2.1). The business development segments EBITA amounted for the first half year to SEK -0.5 million (-7.1).

The Groups EBIT amounted to SEK 0.7 million (34.4). Net financial income amounted to SEK -11.5 million (-11.2). Of this, net interest amounts to SEK -9.0 million (-8.2). The change in net interest is mainly attributable to the increased net debt following the acquisition of RITTER. Currency rate gains and losses net amounted to SEK 0.2 million (-0.3). Other financial costs amounted to SEK -2.7 million (-2.7).

### **CASH FLOW AND INVESTMENTS**

Cash flow from operating activities remains positive and amounted in the second quarter to SEK 26.7 million (47.4). For the first half year it amounted to SEK 94.3 million (84.0). Changes in working capital amounted to SEK 10.4 million (17.0) in the second quarter and to SEK 50.1 million (20.3 for the first half.

Cash flow from investment activities in the second quarter amounted to SEK -15.4 million (-2.7) which in its entirety consisted of investments in fixed assets. For the first half year cash flow from investment activities amounted to SEK -37.0 million (-52.1). Cash flow from acquisition of subsidiaries to SEK -3.1 million (-28.7).

Total investments in tangible fixed assets amounted to SEK 17.8 million (8.8) in the quarter. The difference from cash flows are due to investments in machinery and inventories through leasing.

Cash flow from financing activities for the second quarter was SEK -4.3 million (-51.6) and consists of new loans and received government credits related to taxes and social security fees and repayments. During the first half year cash flow from financing activities amounted to SEK -25.2 million (-25.2)

### **FINANCIAL POSITION**

Shareholder's equity at the end of the period amounted to SEK 483.8 million (442.0) whereas the equity ratio was 31.6% (35.7). The balance sheet total amounted to SEK 1,530.9 million (1,237.1). Cash and cash equivalents amounted to SEK 98.4 million (85.1) at the end of the period. The interest-bearing net debt amounted to SEK 488.7 million (331.3). The difference compared to last year is explained by acquisitions. The interest-bearing net debt has decreased by SEK 24.7 million during the second quarter 2020. HANZA has negotiated new terms and conditions for borrowing, so called covenants, with the company's larger creditors. The new terms concern the size of the net debt in relation to EBITDA, and are adapted to the effects of covid-19.

As the final acquisition balances for the acquisition of RITTER were determined short-term liabilities were increased by SEK 5.3 million. As the correction shall be done retroactive from the time of acquisition the comparative figures from Q3 2019 and on are affected. The changes affect short-term liabilities, goodwill, deferred tax assets and key ratios connected to these balance sheet items. The income statement is not affected. In this report the comparison figures for December 31, has hence been adjusted. The changes have overall a marginal effect on the changed balance sheet items and key ratios. See also Note 9 Acquisitions of subsidiaries.

### **THE SHARE**

At the beginning of the year, the total number of shares was 33,979,928 and the share capital amounted to SEK 3,397,993. No changes in number of shares or share capital have occurred during the quarter.

During the quarter, 850,000 warrants were issued to the company's senior executives for market value consideration. Each warrant entitles the holder to subscribe for one share in the company at a subscription price of SEK 20 from June 1, 2023 to September 30, 2023. The issuing of warrants after issuing costs, has added SEK 0.3 million to equity.

### **EMPLOYEES**

During the quarter, the average number of employees in the Group was 1,645 (1,580). The number of employees at the end of the period was 1,720. At the start of the year, the number was 1,771. The increase in average number of employees is explained by acquisitions.

### **THE PARENT COMPANY**

The parent company's net sales, which consists exclusively of income from Group companies, amounted to SEK 5.0 million (5.9) in the quarter. Profit before tax in the quarter amounted to SEK -13.2 million (1.7). The result includes write-down of shares in subsidiaries of SEK 19.0 million. There have been no investments in the parent company during the quarter.

### **MATERIAL RISKS AND UNCERTAINTIES**

The risk factors that are most material to HANZA are the financial risks and changes in the market, which currently are mainly driven by the outbreak of covid-19. For more information about risks and uncertainties, please refer to Note 3 in the company's 2019 annual report. In excess of the risks with an accelerating pandemic, there have been no material changes in risks since the preparation of the 2019 annual report.

### **RELATED PARTY TRANSACTIONS**

There have been no transactions between the HANZA Group and related parties during the quarter affecting the Group's position or earnings, beyond customary payments of remunerations to the Board of Directors and Group management salaries.

The interim report gives a true and fair view of parent company and Group operations, as well as their position and earnings, and describes the material risks and uncertainties faced by the parent company and the companies forming part of the Group.

Stocksund, 28 July 2020

On behalf of the Board

Erik Stenfors, CEO

## FINANCIAL REPORTS

## CONSOLIDATED INCOME STATEMENT

Amount in SEK millions	Note	Apr - Jun 2020	Apr - Jun 2019	Jan - Jun 2020	Jan - Jun 2019	Jan - Dec 2019
<b>Net sales</b>	<b>4</b>	<b>559.0</b>	<b>506.6</b>	<b>1,158.1</b>	<b>1,004.3</b>	<b>2,067.7</b>
Change of inventories in production, finished goods and work in progress on behalf of others		-15.1	-14.3	-13.0	2.1	-15.5
Raw materials and consumables		-306.5	-266.0	-629.4	-554.8	-1 105.5
Other external costs		-65.9	-60.4	-145.0	-123.3	-262.6
Costs of personnel		-155.0	-128.3	-313.1	-251.8	-535.5
Depreciations, amortizations and write- downs		-35.2	-20.9	-59.9	-42.5	-92.2
Other operating income	5	1.8	1.7	4.6	2.6	8.6
Other operating expenses	5	0.8	-1.3	-1.6	-2.2	-8.2
<b>Operating profit</b>	<b>4</b>	<b>-16.1</b>	<b>17.1</b>	<b>0.7</b>	<b>34.4</b>	<b>56.8</b>
<b>Profit/loss from financial items</b>						
Financial income		1.6	0.4	0.2	0.4	0.5
Financial expenses		-5.8	-5.7	-11.7	-11.6	-25.0
<b>Financial items – net</b>	<b>6</b>	<b>-4.2</b>	<b>-5.3</b>	<b>-11.5</b>	<b>-11.2</b>	<b>-24.5</b>
<b>Profit/loss before tax</b>		<b>-20.3</b>	<b>11.8</b>	<b>-10.8</b>	<b>23.2</b>	<b>32.3</b>
Income tax	7	0.7	-3.7	-2.4	-6.0	-8.7
<b>Profit/loss for the period</b>		<b>-19.6</b>	<b>8.1</b>	<b>-13.2</b>	<b>17.2</b>	<b>23.6</b>
Earnings per share before dilution, SEK		-0.58	0.26	-0.39	0.56	0.73
Earnings per share after dilution, SEK		-0.58	0.26	-0.39	0.56	0.73

The number of shares before and after dilution are presented in Note 8.

## CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Amount in SEK millions	Note	Apr - Jun 2020	Apr - Jun 2019	Jan - Jun 2020	Jan - Jun 2019	Jan - Dec 2019
<b>Profit/loss for the period</b>		<b>-19.6</b>	<b>8.1</b>	<b>-13.2</b>	<b>17.2</b>	<b>23.6</b>
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to the income statement</b>						
Remeasurement of defined benefit pension plans		-	-	1.2	-	3.6
Tax on items that will not be reclassified to the income statement		-	-	-0.4	-	-1.1
<b>Total items that will not be reclassified to the income statement, net of tax</b>		<b>-</b>	<b>-</b>	<b>0.8</b>	<b>-</b>	<b>2.5</b>
<b>Items that can subsequently be reversed in profit or loss</b>						
Exchange rate differences		-22.7	3.8	-1.6	7.8	3.6
Exchange rate difference on acquisition loan		2.4	-	-0.3	-	1.3
Tax on items that can subsequently be reversed in profit or loss		-0.5	-	0.1	-	-0.3
<b>Total items that may be reclassified to the income statement, net of tax</b>		<b>-20.8</b>	<b>3.8</b>	<b>-1.8</b>	<b>7.8</b>	<b>4.6</b>
<b>Other comprehensive income for the period</b>		<b>-20.8</b>	<b>3.8</b>	<b>-1.0</b>	<b>7.8</b>	<b>7.1</b>
<b>Total comprehensive income for the period</b>		<b>-40.4</b>	<b>11.9</b>	<b>-14.2</b>	<b>25.0</b>	<b>30.7</b>

Comprehensive income is in its entirety attributable to the parent company's shareholders

## CONDENSED CONSOLIDATED BALANCE SHEET

Amount in SEK millions	Note	2020-06-30	2019-06-30	2019-12-31
<b>ASSETS</b>				
<b>Fixed assets</b>				
<b>Intangible assets</b>				
Goodwill		303.3	267.0	302.8
Other intangible assets		108.8	71.4	113.1
<b>Intangible assets</b>		<b>412.1</b>	<b>338.4</b>	<b>415.9</b>
<b>Right-of-use assets</b>		<b>132.2</b>	<b>107.0</b>	<b>143.7</b>
<b>Tangible fixed assets</b>		<b>272.8</b>	<b>265.9</b>	<b>278.5</b>
<b>Financial fixed assets</b>				
Other long-term securities holdings		0.3	0.3	0.3
Deferred tax assets		35.1	10.7	32.8
<b>Financial fixed assets</b>		<b>35.4</b>	<b>11.0</b>	<b>33.1</b>
<b>Total fixed assets</b>		<b>852.5</b>	<b>722.3</b>	<b>871.2</b>
<b>Current assets</b>				
Inventories		404.5	308.2	422.7
Accounts receivable		129.6	89.5	122.1
Other receivables		28.2	21.9	27.9
Prepaid expenses and accrued income		17.7	10.1	17.3
Cash and cash equivalents		98.4	85.1	66.7
<b>Total current assets</b>		<b>678.4</b>	<b>514.8</b>	<b>656.7</b>
<b>TOTAL ASSETS</b>		<b>1,530.9</b>	<b>1,237.1</b>	<b>1,527.9</b>

## CONDENSED CONSOLIDATED BALANCE SHEET, cont'd

Amount in SEK millions	Note	2020-06-30	2019-06-30	2019-12-31
<b>SHAREHOLDERS' EQUITY</b>				
Shareholders' equity attributable to the parent company's shareholders		483.8	442.0	497.7
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>				
Post-employment benefits		109.0	4.7	108.9
Non-interest-bearing long-term liabilities		42.9	31.2	45.8
Liabilities to credit institutions	3	186.3	191.8	209.9
Lease liabilities		77.7	67.2	92.8
<b>Total long-term liabilities</b>		<b>415.9</b>	<b>294.9</b>	<b>457.4</b>
<b>Current liabilities</b>				
Overdraft facility	3	42.1	44.2	52.1
Liabilities to credit institutions	3	94.8	68.3	97.7
Lease liabilities		43.9	36.1	45.5
Other interest-bearing liabilities		33.3	4.1	3.1
Accounts payable		240.6	234.9	231.7
Other liabilities		60.1	30.3	53.2
Accrued expenses and deferred income		116.4	82.3	89.5
<b>Total current liabilities</b>		<b>631.2</b>	<b>500.2</b>	<b>572.8</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,530.9</b>	<b>1,237.1</b>	<b>1,527.9</b>

## CONDENSED CONSOLIDATED REPORT OF CHANGES IN SHAREHOLDERS' EQUITY

Amount in SEK millions	Note	Apr - Jun 2020	Apr - Jun 2019	Jan - Jun 2020	Jan - Jun 2019	Jan - Dec 2019
<b>Opening balance</b>		523.9	438.0	<b>497.7</b>	<b>410.5</b>	<b>410.5</b>
Profit/loss for the period		-19.6	8.1	-13.2	17.2	23.6
<b>Other comprehensive income</b>		-20.8	3.8	-1.0	7.8	7.1
<b>Total comprehensive income</b>		-40.4	11.9	<b>-14.2</b>	<b>25.0</b>	<b>30.7</b>
<b>Transactions with shareholders</b>						
Non-cash issue		-	-	-	14.5	64.5
Warrant issue		0.4	-	0.4	-	-
Issue costs		-0.1	-0.2	-0.1	-0.3	-0.3
Dividend		-	-7.7	-	-7.7	-7.7
<b>Total contributions from and distributions to shareholders, recognized directly in equity</b>		<b>0.3</b>	<b>7.9</b>	<b>0.3</b>	<b>6.5</b>	<b>56.5</b>
<b>Closing balance</b>		<b>483.8</b>	<b>442.0</b>	<b>483.8</b>	<b>442.0</b>	<b>497.7</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amount in SEK millions	Note	Apr - Jun 2020	Apr - Jun 2019	Jan - Jun 2020	Jan - Jun 2019	Jan - Dec 2019
<b>Cash flows from operating activities</b>						
Profit/loss after financial items		-20.3	11.8	-10.8	23.2	32.3
Depreciations, amortizations and write-downs		35.2	20.9	59.9	42.5	92.2
Other non-cash items		2.7	0.7	0.6	0.6	4.8
Paid income tax		-1.3	-3.0	-5.5	-2.6	-1.7
<b>Cash flows from operating activities prior to the change in working capital</b>						
		<b>16.3</b>	<b>30.4</b>	<b>44.2</b>	<b>63.7</b>	<b>127.6</b>
<b>Total change in working capital</b>						
		<b>10.4</b>	<b>17.0</b>	<b>50.1</b>	<b>20.3</b>	<b>-5.6</b>
<b>Cash flows from operating activities</b>						
		<b>26.7</b>	<b>47.4</b>	<b>94.3</b>	<b>84.0</b>	<b>122.0</b>
<b>Cash flows from investing activities</b>						
Investments in subsidiaries	9	-	-	-3.1	-28.7	-89.4
Investments in fixed assets		-15.3	-3.5	-34.2	-24.3	-50.5
Disposals of tangible fixed assets		-0.1	0.8	0.3	0.9	2.5
<b>Cash flows from investing activities</b>						
		<b>-15.4</b>	<b>-2.7</b>	<b>-37.0</b>	<b>-52.1</b>	<b>-137.4</b>
<b>Cash flows from financing activities</b>						
Warrant issue		0.3	-	0.3	-	-
New loans		38.0	5.6	53.6	51.5	149.5
Repayment of borrowings		-42.6	-49.5	-79.1	-69.0	-136.7
Dividends paid		-	-7.7	-	-7.7	-7.7
<b>Cash flows from financing activities</b>						
		<b>-4.3</b>	<b>-51.6</b>	<b>-25.2</b>	<b>-25.2</b>	<b>5.1</b>
<b>Increase/reduction in cash and cash equivalents</b>						
		<b>7.0</b>	<b>-6.9</b>	<b>32.1</b>	<b>6.7</b>	<b>-10.3</b>
Cash and cash equivalents at the beginning of the period		97.0	91.6	66.7	77.5	77.5
Exchange differences in cash and cash equivalents		-5.6	0.4	-0.4	0.9	-0.5
<b>Cash and cash equivalents at the end of the period</b>						
		<b>98.4</b>	<b>85.1</b>	<b>98.4</b>	<b>85.1</b>	<b>66.7</b>

## CONDENSED PARENT COMPANY INCOME STATEMENT

Amount in SEK millions	Apr - Jun 2020	Apr - Jun 2019	Jan - Jun 2020	Jan - Jun 2019	Jan - Dec 2019
<b>Operating income</b>	<b>5.0</b>	<b>5.9</b>	<b>10.3</b>	<b>10.2</b>	<b>21.5</b>
<b>Operating expenses</b>	<b>-4.4</b>	<b>-4.9</b>	<b>-9.5</b>	<b>-12.5</b>	<b>-20.0</b>
Other operating income	-0.1	-	-	-	-
<b>Operating profit</b>	<b>0.5</b>	<b>1.0</b>	<b>0.8</b>	<b>-2.3</b>	<b>1.5</b>
<b>Profit/loss from financial items</b>					
Profit/loss from shares in group companies	-19.0	-	-19.0	-	-
Other interest income and similar income items	2.0	1.0	2.6	1.7	4.2
Interest charges and similar income items	3.3	-0.3	-1.1	-0.4	-1.6
<b>Total profit/loss from financial items</b>	<b>-13.7</b>	<b>0.7</b>	<b>-17.5</b>	<b>1.3</b>	<b>2.6</b>
<b>Profit/loss before tax</b>	<b>-13.2</b>	<b>1.7</b>	<b>-16.7</b>	<b>-1.0</b>	<b>4.1</b>
Tax on profit for the period	-	-	-	-	-0.6
<b>Profit/loss for the period</b>	<b>-13.2</b>	<b>1.7</b>	<b>-16.7</b>	<b>-1.0</b>	<b>3.5</b>

There are no parent company items that are recognized in comprehensive income, for which reason total comprehensive income is consistent with the profit/loss for the period.

## CONDENSED PARENT COMPANY BALANCE SHEET

Amount in SEK millions	Note	2020-06-30	2019-06-30	2019-12-31
<b>ASSETS</b>				
<b>Fixed assets</b>				
Financial fixed assets		444.9	328.4	453.7
<b>Total fixed assets</b>		<b>444.9</b>	<b>328.4</b>	<b>453.7</b>
<b>Current assets</b>				
Current receivables		4.9	1.0	1.4
Cash and cash equivalents		0.7	0.1	0.1
<b>Total current assets</b>		<b>5.6</b>	<b>1.1</b>	<b>1.5</b>
<b>TOTAL ASSETS</b>		<b>450.5</b>	<b>329.5</b>	<b>455.2</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity		340.7	302.6	357.0
Long-term liabilities		59.7	20.8	70.1
Current liabilities		50.1	6.1	28.1
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>450.5</b>	<b>329.5</b>	<b>455.2</b>

## NOTES

### **Note 1            General information**

All amounts are reported in millions of SEK (SEK millions) and refers to The Group unless otherwise stated. Information in brackets refers to the corresponding period of the preceding year. The interim information on pages 7 to 10 forms an integral part of this financial report.

### **Note 2            Basis for the preparation of reports and accounting principles**

HANZA Holding AB (publ) applies IFRS (International Financial Reporting Standards), as adopted by the European Union. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The interim report for the parent company has been prepared in accordance with chapter 9 of the Swedish Annual Reports Act, and with RFR 2, Accounting for legal entities.

HANZA has from 1 January 2020 adjusted the segment classification which is described in note 4. Aside from this, the accounting principles are in accordance with the principles that were applied in the previous financial year. For more information on these, please refer to Note 2 of the company's 2019 annual report.

### **Note 3            Financial instruments - Fair value of financial liabilities valued at amortized cost**

The Group's borrowing consists of a large number of notes taken out at different times and with different maturities. Substantially all the loans carry a floating rate of interest. Against the background of the foregoing, the reported values may be deemed to provide a good approximation of fair values as the discount effect is not material.

### **Note 4            Revenue and segment information**

#### **Description of revenue from contracts with customers**

HANZA's revenue is attributable primarily to the production of components, subsystems and finished composite products according to the customer specifications, but where HANZA has been involved in customising the manufacturing process. HANZA's performance obligations are deemed to have been met when the component or composite product is delivered to the customer. Exceptions from the foregoing are cases where there is an agreement with the customer regarding a buffer stock of finished components or products. In these cases, the performance obligation is deemed to have been met at the time the component or product is placed in buffer stock, meaning that it is available to the customer.

The breakdown of external revenue by segment, which is in line with the Group's cluster-based organisation, is set out in the segment information section below. In addition, the recognition of external revenue is divided into the manufacturing technologies 'Mechanics' and 'Electronics' further below.

### Description of segment reporting

HANZA divide the operations into so called manufacturing clusters and applies a financial segment classification based on primary customer markets. Operational reporting is broken down into the following segments:

- **Main markets** – Manufacturing clusters located in or near HANZA's primary geographical customer markets, which currently consist of Sweden, Finland, Norway and Germany. These clusters currently comprise Sweden, Finland and Germany. The operations in these areas are characterised by closeness to the customers factories and close collaboration with customer development departments.
- **Other markets** – Manufacturing clusters outside of HANZA's primary geographical customer areas. These clusters currently consist of the Baltics, Central Europe and China. The operations are characterised by heavy labour input, complex, extensive monitoring, and closeness to important end-customer areas.
- **Business development** – Costs and revenues not allocated to the Manufacturing Clusters, which primarily consist of Group-wide functions within the parent company, as well as Group-wide adjustments not allocated to the other two segments

Ritter that was acquired in July 2019 with operations in Germany and Czech Republic was during 2019, organizationally included in cluster Central Europe and thereby included in former cluster Rest of the world. From the beginning of 2020, the organization has been developed so that the production units in the acquisition have been split into two different manufacturing clusters. Thereby has Germany come to form an own manufacturing cluster reported in segment Main markets (former Nordic), while the unit in Czech Republic is reported in Other markets (former Rest of the world), see definitions above. The values for 2019 have been recalculated. Transactions between segments are made on market terms.

### Revenues by segment

SEK millions	Apr - Jun 2020			Apr – Jun 2019		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Main markets	306.6	-0.8	305.8	268.9	-0.8	268.1
Other markets	259.9	-7.0	252.9	246.9	-8.4	238.5
Business development	0.3	-	0.3	-	-	-
<b>Total</b>	<b>566.8</b>	<b>-7.8</b>	<b>559.0</b>	<b>515.8</b>	<b>-9.2</b>	<b>506.6</b>

SEK millions	Jan - Jun 2020			Jan – Jun 2019		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Main markets	645.6	-2.0	643.6	518.8	-1.5	517.3
Other markets	526.4	-12.2	514.2	507.2	-20.3	486.9
Business development	0.3	-	0.3	0.1	-	0.1
<b>Total</b>	<b>1,172.3</b>	<b>-14.2</b>	<b>1,158.1</b>	<b>1,026.1</b>	<b>-21.8</b>	<b>1,004.3</b>

**Profit by segment**

Segment results are reconciled to profit/loss before tax as follows:

SEK millions	Apr - Jun 2020	Apr - Jun 2019	Jan - Jun 2020	Jan - Jun 2019	Jan - Dec 2019
<b>EBITA</b>					
Main markets	0.2	19.0	19.2	35.7	80.4
Other markets	-13.1	1.9	-10.9	10.2	3.2
Business development	0.3	-1.6	-0.5	-7.1	-15.7
<b>Total EBITA</b>	<b>-12.6</b>	<b>19.3</b>	<b>7.8</b>	<b>38.8</b>	<b>67.9</b>
Amortisation of intangible assets	-3.5	-2.2	-7.1	-4.4	-11.1
<b>Operating profit</b>	<b>-16.1</b>	<b>17.1</b>	<b>0.7</b>	<b>34.4</b>	<b>56.8</b>
Financial items – net	-4.2	-5.3	-11.5	-11.2	-24.5
<b>Profit/loss before tax</b>	<b>-20.3</b>	<b>11.8</b>	<b>-10.8</b>	<b>23.2</b>	<b>32.3</b>
<b>Non-recurring items</b>					
Revaluation of additional purchase price	-	-	-	-	1.1
Transaction costs	-	-1.0	-	-3.0	-8.4
Costs for change of listing	-	-0.2	-	-3.7	-3.7
Write-down assets China	-	-	-	-	-3.0
Action programme covid-19	-27.5	-	-27.5	-	-
Amortization of over-value in inventory identified in the acquisition of RITTER	-	-	-	-	-4.2
<b>Total</b>	<b>-27.5</b>	<b>-1,2</b>	<b>-27.5</b>	<b>-6.7</b>	<b>-18.2</b>
<b>EBITA per segment excluding non-recurring items</b>					
Main markets	9.7	19.0	28.7	35.7	83,8
Other markets	4.9	1.9	7.1	10.2	6,2
<b>Total</b>	<b>14.6</b>	<b>20.9</b>	<b>35.8</b>	<b>45.9</b>	<b>90.0</b>
Business development	0.3	-0.4	-0.5	-0.4	-3.9
<b>Total</b>	<b>14.9</b>	<b>20.5</b>	<b>35.3</b>	<b>45.5</b>	<b>86.1</b>
Non-recurring items	-27.5	-1.2	-27.5	-6.7	-18.2
<b>EBITA</b>	<b>-12.6</b>	<b>19.3</b>	<b>7.8</b>	<b>38.8</b>	<b>67.9</b>

**Revenue from external customers by manufacturing technology**

SEK millions	Apr - Jun 2020	Apr - Jun 2019	Jan - Jun 2020	Jan - Jun 2019	Jan - Dec 2019
Mechanics	342.1	365.7	698.0	727.8	1,367.8
Electronics	216.6	140.9	459.8	276.4	699.8
Business development	0.3	-	0.3	0.1	0.1
<b>Total</b>	<b>559.0</b>	<b>506.6</b>	<b>1,158.1</b>	<b>1,004.3</b>	<b>2,067.7</b>

**Note 5 Other operating income and operating expenses**

SEK millions	Apr - Jun 2020	Apr - Jun 2019	Jan - Jun 2020	Jan - Jun 2019	Jan - Dec 2019
<b>Other operating income</b>					
Profit on disposal of fixed assets	-	0.2	0.1	0.3	0.6
Revaluation of additional purchase price	-	-	-	-	1.1
Government support related to covid-19 pandemia	1.0	-	1.0	-	-
Exchange gains	0.1	0.8	1.6	1.2	4.5
Other items	0.7	0.7	1.9	1.1	2.4
<b>Total other operating income</b>	<b>1.8</b>	<b>1.7</b>	<b>4.6</b>	<b>2.6</b>	<b>8.6</b>

**Other operating expenses**

Loss on disposal of fixed assets	-	-	-	-	-2.8
Exchange losses	0.2	-1.1	-1.2	-1.9	-3.9
Other items	0.6	-0.2	-0.4	-0.3	-1.5
<b>Total other operating expenses</b>	<b>0.8</b>	<b>-1.3</b>	<b>-1.6</b>	<b>-2.2</b>	<b>-8.2</b>

**Note 6 Financial income and expenses – Net financial items**

SEK millions	Apr - Jun 2020	Apr - Jun 2019	Jan - Jun 2020	Jan - Jun 2019	Jan - Dec 2019
<b>Financial income</b>					
Interest income	-	0.4	-	0.4	0.5
Net exchange gains and losses	1.6	-	0.2	-	-
<b>Total financial income</b>	<b>1.6</b>	<b>0.4</b>	<b>0.2</b>	<b>0.4</b>	<b>0.5</b>
<b>Financial expenses</b>					
Interest expenses	-4.4	-4.3	-9.0	-8.6	-18.6
Net exchange gains and losses	-	-	-	-0.3	-1.2
Other financial expenses	-1.4	-1.4	-2.7	-2.7	-5.2
<b>Total financial expenses</b>	<b>-5.8</b>	<b>-5.7</b>	<b>-11.7</b>	<b>-11.6</b>	<b>-25.0</b>
<b>Total financial items - net</b>	<b>-4.2</b>	<b>-5.3</b>	<b>-11.5</b>	<b>-11.2</b>	<b>-24.5</b>

**Note 7 Income tax**

The effective tax rate for the quarter was 3 percent (31). A part of the Group's operations derives from Estonia, where profits are only taxed upon distribution of dividends. The parent company rules over the dividends and there are currently no plans or needs to take dividends, which would result in taxes, from the Estonian companies. The Estonian tax rate has therefore been set at 0 percent for purposes of the calculation. The effective tax rate therefore varies according to the proportion of pre-tax profits stemming from Estonia and from units where the company has deemed that deferred tax assets cannot be booked due to insecurity about the possibility to use the tax losses in the future.

**Note 8 Number of shares**

The table below shows the average numbers of shares before and after dilution, that have been used in the calculation of earnings per share. The number of shares at the end of the period is also shown.

<b>Number of shares</b>	<b>Apr - Jun 2020</b>	<b>Apr - Jun 2019</b>	<b>Jan - Jun 2020</b>	<b>Jan - Jun 2019</b>	<b>Jan - Dec 2019</b>
Weighted average number of shares before dilution	33,979,928	30,979,928	33,979,928	30,738,097	32,125,760
Adjustment upon calculation of earnings per share after dilution:					
Warrants	-	-	-	1,338	617
Weighted average number of shares after dilution	33,979,928	30,979,928	33,979,928	30,739,435	32,126,377
Number of shares at the end of the period	33,979,928	30,979,928	33,979,928	30,979,928	33,979,928

**Note 9 Acquisitions of subsidiaries**

HANZA Holding have not done any acquisitions during the first quarter of 2020. In February, a liability referring to an additional purchase price from the acquisition of Toolfac oy amounting to SEK 3.1 million was settled. The liability was settled without any effect on the income statement.

Acquisition analysis for RITTER, which was acquired on July 25<sup>th</sup>, 2019, has up to this report been preliminary. Fair value of the acquired assets and assumed liabilities have now been determined in which the items accrued liabilities and prepaid income has been increased by SEK 5.3 million and deferred tax assets has been increased by SEK 1.7 million. Goodwill in the acquisition thereby increases by SEK 3.6 million. The balance sheets for previous periods have been recalculated which affects the comparison values for December 31<sup>st</sup>, 2019 in this report. Also, the equity ratio as of that date is marginally affected. Income statements for previous periods are not affected by the changes.

## KEY RATIOS

	Apr - Jun 2020	Apr - Jun 2019	Jan - Jun 2020	Jan - Jun 2019	Jan - Dec 2019
<b>Key ratios according to IFRS</b>					
Net sales, SEK millions	559.0	506.6	1,158.1	1,004.3	2,067.7
Earnings per share before dilution, SEK	-0.58	0.26	-0.39	0.56	0.73
Earnings per share after dilution, SEK	-0.58	0.26	-0.39	0.56	0.73
Average number of employees	1,645	1,580	1,662	1,510	1,603
<b>Alternative performance measurements</b>					
EBITDA margin, % <sup>*)</sup>	3.4%	7.5%	5.2%	7.7%	7.2%
Operating margin, %	-2.9%	3.4%	0.1%	3.4%	2.7%
Operational segments EBITA, SEK millions	-12.9	20.9	8.3	45.9	83.6
Operational EBITA margin, %	-2.3%	4.1%	0.7%	4.6%	4.0%
Operating capital, SEK millions <sup>*)</sup>	972.5	773.3	972.5	773.3	1,041.0
Return on operating capital, % <sup>*)</sup>	-1.3%	2.5%	0.8%	5.4%	7.9%
Capital turnover on operating capital, times <sup>*)</sup>	0.6	0.6	2.3	2.8	2.4
Net interest-bearing debt, SEK millions <sup>*)</sup>	488.7	331.3	488.7	331.3	543.3
Net debt/equity ratio, times <sup>*)</sup>	1.0	0.7	1.0	0.7	1.1
Operational net debt, SEK millions	306.8	261.5	306.8	261.5	350.2
Equity ratio, % <sup>*)</sup>	31.6%	35.7%	31.6%	35.7%	32.7%
Equity per share at end of period, SEK	14.24	14.27	14.24	14.27	14.65

The alternative performance measurements above are considered relevant to give a picture of HANZA's operational profitability, the distribution of financing between equity and external financing, return on contributed capital and the company's financial risk. Reconciliation tables for alternative performance measurements and motives for using each measurement are published on the company's web page.

## FORTHCOMING DISCLOSURES

The interim report for the period January-September 2020 will be presented on 3 November 2020

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## DEFINITIONS, ALTERNATIVE PERFORMANCE MEASUREMENTS AND TERMS

- **KEY RATIOS ACCORDING TO IFRS - Definitions**

**EBIT** refers to earnings before interest and taxes and is the same as operating profit

- **ALTERNATIVE PERFORMANCE MEASUREMENTS – Definitions, reconciliation and motives**

The alternative performance measurements below are used in this report. Reconciliation tables for alternative performance measurements and motives for using each measurement are published on the company's web page.

**Business development costs** include costs incurred in special projects to develop the Group which are not related to the operating activities, such as acquisitions, disposals and listing costs.

**Business development segment EBITA** includes business development costs. EBITA and EBIT are equal for this segment.

**Gross margin** refers to net sales less cost of raw materials and consumables and change in inventories in production, finished goods and work in progress on behalf of others, divided by net sales

**EBITDA** refers to earnings before interest, taxes, depreciation and amortization of tangible and intangible assets

**EBITDA margin** is EBITDA divided by net sales

**EBITA** refers to earnings before interest, taxes and amortization of intangible assets

**Equity per share** is equity on the balance sheet date, adjusted for not registered equity, divided by the registered number of shares on the balance sheet date.

**Non-recurring items** are revenue and expense items in the operating profit which only by way of exception occurs in the operations. To non-recurring items are referred revenues and expenses such as acquisition costs, revaluation of additional purchase prices, profit or loss on disposal of buildings and land, debt concession, costs of larger restructurings such as moving of whole factories and larger write-downs.

**Capital turnover on average operating capital**, refers to net sales divided by average operating capital

**Operational segments EBITA** (operational EBITA) is EBITA before business development costs

**Operating profit from operational segments** (operating EBIT) is operating profit before business development costs

**Operational EBITA margin** refers to operational segments EBITA divided by net sales

**Operating capital** is the balance sheet total less cash and cash equivalents, financial assets and non-interest-bearing liabilities

**Operational net debt** is interest-bearing liabilities, excluding provisions for post-employment benefits and lease liabilities related to buildings and premises, less cash in hand and similar assets and short-term investments

**Net debt/equity ratio** is net interest-bearing debt divided by shareholders' equity

**Return on operating capital** is operating EBITA divided by average operating capital

**Net interest-bearing debt** is interest-bearing liabilities, including provisions for post-employment benefits, less cash in hand and similar assets and short-term investments

**Operating margin (EBIT margin)** is operating profit divided by net sales

**Equity ratio** is shareholders' equity divided by the balance sheet total

When earning measures are presented on a **rolling 12-months basis** they refer to the total for the last 12 months up to the presented period

- **TERMS – Definitions established by HANZA**

**CORE** (Cluster Operational Excellence) is a method used by HANZA to develop the factories operationally, which are carried out in shape of projects.

**MIG** (Manufacturing Solutions for Increased Growth & Earnings) is an advisory service developed by HANZA which analyses and gives advices on improvements in the customers complete manufacturing and logistic chain.

**MCS** (Material Compliance Services) is a service developed by HANZA which helps the customer to secure that a product fulfils regulations regarding included components.

**Manufacturing cluster** HANZA gathers a number of contract manufacturing technologies within certain geographical areas called manufacturing clusters.

## ABOUT HANZA

HANZA is a global knowledge-based manufacturing company that modernizes and streamlines the manufacturing industry. Through production facilities with various manufacturing technologies grouped into local clusters as well as advisory services, we create shorter lead times, more environmentally friendly processes and increased profitability for our customers.

The company was founded in 2008 and had sales exceeding SEK 2 billion in 2019. The company has operations in seven countries; Sweden, Germany, Finland, Estonia, Poland, the Czech Republic and China.

Among HANZA's clients are leading companies such as ABB, Epiroc, Getinge, Oerlikon, Saab and Siemens.

Read more on [www.hanza.com](http://www.hanza.com)

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